



## **Request for City Council Committee Action From the Department of City Coordinator**

**Date:** October 7, 2002

**To:** Council Member Barbara Johnson, Chair  
Ways & Means/Budget Committee

**Subject:** New Central Library Project – Owner Controlled Insurance Program (OCIP)

### **Recommendation:**

Approve the New Central Library Implementation Committee recommendation that:

1. The City Council/Mayor authorize an Owner Controlled Insurance Program (OCIP) for the New Central Library Project; and
2. Proper officials be authorized to execute a contract with the St. Paul Companies to provide the Owner Controlled Insurance Program (4400-908-9080)

### **Previous Directives:**

June 7, 2002 – Authorization to negotiate contract with Marsh Inc for Insurance Broker services

March 18, 2002 – Authorization to Issue RFP for Insurance Broker

January 18, 2002 – Direction to the New Central Library Project Implementation Committee to continue examining alternative bonding approaches for the project.

**Prepared/Submitted by:** Richard A Johnson, Project Coordinator \_\_\_\_\_

**Approved by:** John Moir, City Coordinator \_\_\_\_\_

**Presenters in Committee:** Richard A Johnson, Project Coordinator

**Financial Impact** (Check those that apply)

- ☒ No financial impact - or - Action is within current department budget  
(If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (use any categories that apply)

Neighborhood Notification

Neighborhood Notification

City goals

**Background/Supporting Information**

Typically on construction projects, the cost of insurance other than builders risk (general liability, commercial liability and workers comp) is born by the contractor and indirectly passed to the owner in the form of overhead as part of the contractors bid. An alternate approach is for the owner to purchase an Owner Controlled Insurance Policy (OCIP). Under this approach, the owner directly pays the costs of insurance with the objective to achieve broader insurance coverage, better rates and save money over the life of the project.

In June the City and Library Board authorized the retention of Marsh Inc. to provide insurance broker services for the New Central Library Project. Since that time Marsh has conducted a feasibility study in order to assess the advisability of utilizing an OCIP on the Project. The feasibility study process was presented to the City's PRC on August 8. A detailed description of that study and its conclusions has been prepared by Marsh and is included in your packets. Essentially, the feasibility study indicated that the Project would save a significant amount of money if it utilizes an OCIP. The amount to be saved depends upon the actual insured losses on the Project.

Marsh reviewed the results of the feasibility study with Project staff and the City's Risk Manager, and on September 24, 2002, presented the feasibility study to your Implementation Committee. The Implementation Committee unanimously adopted the two recommendations set forth above. Marsh also examined the feasibility of combining the New Central Library OCIP with other City and/or library projects, and does not recommend that the Project utilize a rolling OCIP for the reasons set forth in the attached. Staff concurs with that recommendation.

Richard Johnson will be present at your committee to answer questions.

Thank you for consideration of this request.